1971 FIRST NATIONAL STORES INC. ANNUAL REPORT YEAR ENDING MARCH 27

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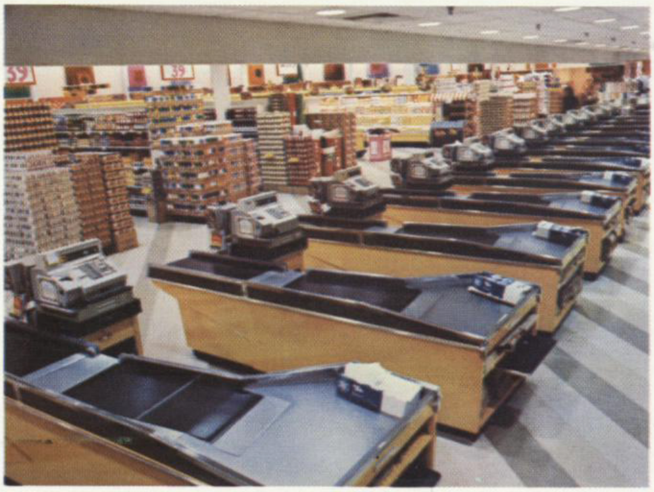
Financial Highlights

	52 weeks ended	
	March 27, 1971	*March 28, 1970*
Sales	$850,475,000	$770,780,000
Income before extraordinary credits	3,390,000	2,621,000
Extraordinary credits	—	1,841,000
Net income	3,390,000	4,462,000
Per share of common stock:		
Income before extraordinary credits	2.46	1.76
Extraordinary credits	—	1.24
Net income	2.46	3.00
Net working capital	21,454,000	25,123,000
Total assets	136,342,000	133,478,000
Stockholders' equity	81,153,000	80,333,000
Book value per share	59.72	57.07
Number of stores	380	413

The Annual Meeting of the Shareholders will be held at the Company's Executive Offices, 5 Middlesex Avenue, Somerville, Massachusetts, on Monday, June 28, 1971 at 10:00 A.M. Eastern Daylight Time. All Shareholders are cordially invited to attend.



Store of the Seventies

The pictures on this page are of a new supermarket opened in 1971, which is typical of stores we are now building. Large, colorful, and modern, it is designed to give maximum exposure to our new merchandising and operation programs.

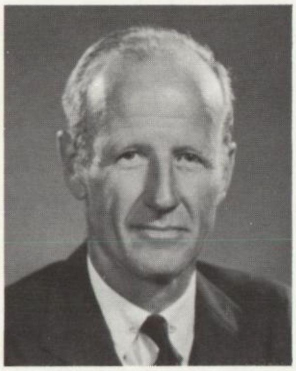
Directors

FRANCIS H. BURR
Partner,
Ropes & Gray, Attorneys

HILLIARD J. COAN
President

MAURICE T. FREEMAN
Investment Trustee

ALAN L. HABERMAN
Executive Vice President



JOHN E. LAWRENCE
Proprietor
James Lawrence & Co.

JOHN F. LEBOR
Director of
Several Corporations

EDWARD A. MERKLE
President
Madison Fund, Inc.

ADRIAN O'KEEFFE
Chairman of the Board

BERNARD M. O'KEEFFE
Former
Purchasing Executive

To Our Shareholders:

The past year was one of progress. Record sales were more than 10% above those of the previous year and earnings substantially above those reported for fiscal 1970 before extraordinary credits. Each of the past three years has shown a steady gain in these figures; and while earnings are still below the industry average, the Company has confidence that the programs instituted by management make that average a foreseeable goal. The rapid rate of inflation, however, has brought with it cost increases in inventories, labor, and in almost all other areas of expense. We have directed constant efforts to increase productivity and reduce our expense ratios.

Our sales increase exceeded the rate of inflation, and a solid increase in identical stores assures us that we have again come into our own in our established marketplace. While the Company opened fewer stores than had been planned, we did complete our goal of twenty major remodels, an increase of nine over the previous year. Remodeling of stores in prime locations can have a beneficial effect equivalent to the opening of a new store. Due to the increased availability of real estate financing, we expect an increase in new store openings in this coming year, and a continuation of our major remodeling program.

In fiscal 1971 the Company earned $3,390,000 as opposed to $2,621,000 before extraordinary credits in fiscal 1970, reflecting a 29% earnings increase directly related to operations. We again call your attention to the LIFO method of inventory valuation used by the Company. LIFO this year resulted in a reduction of our earnings of $727,000 or 53¢ per share. Further explanation of LIFO is included in the "Financial Review" on Page 4 of this report.

Incentive programs have had a positive effect at various levels of management. Our Store Managers' Incentive Plan has been highly successful in motivating and developing a top-flight core of managers. The Executives' Incentive Compensation Plan has also had an excellent effect on our people. It should be noted that no credit can be made to the Executives' Incentive Compensation Plan reserve that would reduce Pre-Tax Income for the fiscal year below $3,000,000, and no credit can be allocated to the reserve in a year in which no dividend is paid. This year we are asking stockholders to approve a new Stock Option Plan which will provide optionees with an opportunity to share in the ownership of the Company.

Training programs are given a high priority in the Company. Among the many programs initiated during the past year is a Store Managers' training program which we feel will be extremely significant to the Company. We have instituted an in-depth nutritional training program for our own people, which is further discussed on Page 6 of this report. We are constantly searching for effective ways in which we can broaden the participation of our people in training and incentive programs, since we feel that such programs inevitably result in benefit to the Company.

While there will always be problems to solve, our confidence in the future of the economy and of the Company remains undiminished. With the continued support of stockholders, employees, and customers, continued progress will be achieved. Our thanks to all of you.

Respectfully submitted,

Adrian O'Keeffe

Hilliard J. Coan

ADRIAN O'KEEFFE
Chairman of the Board

HILLIARD J. COAN
President

FINANCIAL REVIEW

Sales and Earnings

Consolidated sales of $850,475,000 were achieved in the 52 weeks ended March 27, 1971, an increase of 10.3% over the $770,780,000 reported in fiscal 1970, and a record year for the Company.

Consolidated net income amounted to $3,390,000, and net income per share was $2.46. There were no extraordinary credits in the fiscal year just ended. These earnings represent increases of 29% and 40% over last year's figures of $2,621,000 and $1.76 respectively, both of which were before extraordinary credits. Last year's extraordinary credits of $1,841,000 or $1.24 per share arose from the sale of a warehouse and the tax benefits of a net operating loss carryforward. Per share earnings for fiscal 1971 were favorably affected by the acquisition of treasury shares in fiscal 1970 and early in fiscal 1971.

LIFO

In fiscal 1971 the LIFO method of inventory valuation resulted in a net charge to earnings of $727,000 or 53¢ per share as compared with $766,000 or 51¢ per share in the previous year. LIFO charges against earnings for the past two years have increased significantly because of the high rate of inflation. The Company is one of the very few large, publicly-owned food chains using LIFO. Lower earnings are reported when LIFO is used to value inventories but this is compensated for by substantial cash and income tax benefits. At the end of fiscal 1971 the Company had a LIFO reserve against inventories of $14,011,000 which has resulted in accumulated income tax savings of approximately $7,000,000. Had it not used LIFO, the Company would have reported approximately half of the $14,011,000 in earnings and paid the remaining half of this reserve in income taxes. The effect of the LIFO charge against earnings per share before extraordinary credits for the last three years is shown below.

	Earnings Per Share	
	Before LIFO Effect	*After LIFO Effect*
1971	$2.99	$2.46
1970	2.27	1.76
1969	.82	.62

Operating Loss Carryforward

The federal income tax provision for the year was calculated on the basis of the income taxes which would have been required had the Company not had a net operating loss carryforward. During fiscal 1971 the remaining net operating loss carryforward was absorbed. An investment tax credit of $225,000 in fiscal 1971 amounted to 16¢ per share as compared with $300,000 or 20¢ a share last year. There still remains an investment tax credit carryforward for accounting purposes of $500,000 which will be reported as a reduction of federal income taxes payable as it is utilized under the rules prescribed by the Internal Revenue Code.

Capital Expenditures

Net capital expenditures for the year of $13,966,000 were used principally in the remodeling of existing store facilities. During the prior year, net capital expenditures amounted to $12,757,000. Land purchases of approximately $2,700,000 were financed largely through the issuance of long-term mortgage notes payable.

Treasury Shares, Incentive Programs and Increase in Authorized Stock

In May, 1970, the Company purchased 50,000 shares of its common stock at a below market price of $25 per share. During the year 1,204 shares were issued from the Treasury to satisfy payments required under the Executives' Incentive Compensation Plan and on exercise of stock options. At March 27, 1971 there were 296,460 shares held in the Treasury for general corporate purposes including employee incentive and stock option programs. At the Annual Meeting to be held on June 28, 1971, the shareholders will be asked to increase the authorized common stock without par value from 2,000,000 shares to 5,000,000 shares. There are no present plans for the increased number of authorized shares. At the same meeting the 1971 Stock Option Plan covering 65,000 shares of common stock and fully described in the 1971 Proxy Statement will be submitted to the shareholders for approval.

Dividends

Four dividends of twenty-five cents (25¢) per share were declared by the Board of Directors during the year. The total year's dividend of $1.00 per share amounted to $1,358,000 on the shares of common stock outstanding. A dividend of twenty-five cents (25¢) per share, payable July 1, 1971, to stockholders of record June 2, 1971, was declared on May 11, 1971.

REVIEW OF OPERATIONS

Sales Volume

During the last twelve months, the Company experienced a rate of progress consistent with objectives. Management has continued to place major emphasis on increasing sales and share of market in all areas in which the Company operates. Total sales of $850,-475,000 were almost $80,000,000 greater than the previous year, an increase of better than 10%. The result is especially satisfactory in that sales in identical stores improved at a rate in excess of the total sales increase. We continue to concentrate on the development of sales in existing stores which have not yet reached their full potential. It is this program of establishing stores that is largely responsible for sales gains experienced during the last three years.

Retail Stores

Six new supermarkets were opened during the year, three of which are replacements. Thirty-nine stores were closed, fifteen of which were directly related to either new store openings or major remodelings. Major remodels were completed in twenty stores, including thirteen enlargements of sales areas, and additional stores have been updated by the installation of new fixtures and equipment and by refurbishing decor. At the close of the fiscal year, the Company was operating 380 stores, a net decrease of thirty-three from the previous year. During fiscal 1971, we opened six fewer stores than were planned due primarily to difficult market conditions encountered by real estate developers. Two new stores have been opened since the close of the fiscal year and an additional nine stores are presently under construction. We are continuing our store remodeling program at approximately the same rate as in fiscal 1971.

Our new stores characteristically have larger sales areas than in the past and this, coupled with the expansion of many existing stores and the closing of smaller units, has resulted in a significant increase in average store size. This has allowed for increased store fixture space, the inclusion of more service departments such as delicatessen, bakery and flowers, and more sales area for general merchandise. All of these features make our stores more competitive and contribute importantly to improved sales statistics. Average sales per store increased at about twice the rate of total sales last year and sales per customer and per square foot of sales area also increased at rates substantially higher than total sales.

Merchandising

Food retailing in our market area is as competitive as it has ever been and requires a high degree of professionalism, innovation and imagination. In the supermarket industry, it is vital that we react quickly to the needs and wants of the consumer. We are tailoring our stores and merchandising policies to the individual neighborhoods served providing the product and services desired. Physically our stores are brighter, more attractive and pleasanter to shop in. The nature of the community determines the nature of our merchandising. We operate conventional supermarkets, with and without trading stamps, low-margin stores and convenience stores. Many stores have been converted to a low-margin operation and approximately 60% of the Company's sales are now achieved in stores that do not offer stamps. Trading stamps continue to be a legitimate and effective form of merchandising, however, and where customers exhibit a desire for them we will continue to offer stamps.

Product Line — Quality Control

The Company considers a wide product line in all departments, including meat, produce, dairy, frozen food and general non-food merchandise, to be vital to the success of its stores. During the last few years, the variety of items and brands offered our customers has been increased significantly. Particular emphasis has been placed on the availability of national brands which comprise a greater part of our merchandising programs than ever before. Concurrently, the Company's reputation for a superior line of private label merchandise has been enhanced with new items and improvement in the formulation and presentation of existing products. In this respect, the labeling of private label merchandise has undergone a major face-lifting program, some of the results of which are illustrated on the cover of this report, The Company's private label program offers customers recognizable value, at the same time contributing significantly to total store margins. Furthering the emphasis placed on serving local communities, the Company has a program to supply an ethnic product line under both national brand and private label. We have expanded the role of our laboratory in order to assure quality control to an extent greater than ever before. Staff has been increased during the year, and the laboratory has assumed additional responsibilities in providing guidance and assistance to our merchandising and operational teams.

The Consumer

In recent times, the issue of "consumerism" has become a popular social and political cause, and we welcome the advancements that can result from this

focus of attention on what should be basic to a successful business operation. The Company has been in the forefront of those providing consumers with the services desired, in most instances ahead of the industry in general. At the same time we are working with governmental agencies and regulatory bodies in an attempt to insure genuine benefits to the consumer rather than legislation that could ultimately work to the customer's disadvantage. The Company has preferred to follow the course of providing honest merchandising and operational programs at store level, rather than conducting a public relations campaign in the media, for it is at the point of purchase that the customer is won or lost.

Nutrition

"Nutrition is our business, too!" . . . . this is the byword of the Company's new nutrition program. Proper nutrition is vital to the health of the nation, and the Company is attempting to make a meaningful contribution in this area of concern, with particular attention to our own employees. Good nutrition is basically dependent upon education and understanding, and the main thrust of our efforts is to properly inform and train store employees on this vital subject. Nutrition Seminars are being held with representatives from all stores, who in turn will serve as communicators to other employees at store level. The Company now has highly qualified nutrition personnel on its staff and is working in close cooperation with outside nutrition experts. Again, the basic and initial thrust of our program is directed to First National people — for nutrition is their business, too — and when they understand the consequences of proper nutrition, our customers will benefit also.

Store Operations

Inflationary effects, while slightly less than the previous year, were responsible for a large part of the Company's sales increase during the year just ended. Credit is also given to merchandising and to the greatly improved operation of the Company's stores. This latter is not the glamour side of food retailing but it is the foundation from which success is derived. Store operations have been and continue to be an area of top priority and have received painstaking attention from management. Good people, proper training and constant reappraisal are the key ingredients for a good operation and it is on these areas that the Company has concentrated, and will continue to concentrate, its attention.

Related Operations

As stated in last year's report, an institutional meat supplier has been acquired by Suffolk Grocery, our One Stop Institutional Foods, Inc. subsidiary, and the operation now is on a full-service concept. This acquisition contributed to a sales increase during the year and, while the operation did not contribute to profits, progress is being shown. Institutional foods continue to be a viable adjunct to our basic business and we now carry a representative line of institutional items in our stores. With the exception of an institutional sales program, no changes were made in the operation of Company pharmacies during the last year.

Expectations

Long-range plans call for continuing increases in sales volume and share of market, operating larger and higher volume stores, and improving profits in relation to sales. Rising costs in almost all expense areas, particularly labor, transportation and construction, demand ever-increasing efficiencies in operation. The Company considers itself well prepared to meet these challenges.

Consolidated Statement of Income and Retained Earnings

	52 Weeks Ended March 27 1971	52 Weeks Ended March 28 1970 (Note 1)
Sales	$850,475,000	$770,780,000
Costs and expenses:		
Cost of sales, warehousing, transportation and store occupancy expenses	712,232,000	643,351,000
Direct selling, advertising, general and administrative expenses	125,124,000	116,736,000
Depreciation and amortization (Note 2)	7,023,000	6,769,000
	844,379,000	766,856,000
Operating income	6,096,000	3,924,000
Other expense (income):		
Interest, net	84,000	(1,025,000)
Loss (gain) on disposal of fixed assets, net	208,000	(38,000)
Other	(71,000)	(54,000)
	221,000	(1,117,000)
Income before federal and state income taxes and extraordinary credits	5,875,000	5,041,000
Federal and state income taxes (Note 5)	2,485,000	2,420,000
Income before extraordinary credits	3,390,000	2,621,000
Extraordinary credits:		
Gain on sale of warehouse, less provision of $140,000 for federal income taxes	—	361,000
Elimination of charge in lieu of federal income taxes arising from carry-forward of prior year net operating loss (Note 5)	—	1,480,000
	—	1,841,000
Net income	3,390,000	4,462,000
Retained earnings at beginning of year	58,341,000	55,385,000
Cash dividends declared — $1.00 per share in 1971 and 1970	(1,358,000)	(1,506,000)
Retained earnings at end of year	$ 60,373,000	$ 58,341,000
Per share of common stock (Note 3):		
Income before extraordinary credits	$2.46	$1.76
Extraordinary credits	—	1.24
Net income	$2.46	$3.00
Shares outstanding — weighted average	1,375,853	1,488,865

FIRST NATIONAL STORES INC.

Consolidated Balance Sheet

ASSETS

	March 27 1971	March 28 1970 (Note 1)
Current assets:		
Cash	$ 10,761,000	$ 9,724,000
Short-term investments, at cost (approximate market)	—	3,092,000
Accounts receivable, less allowance for doubtful accounts — $500,000 in 1971 and $400,000 in 1970	7,787,000	7,729,000
Inventories, at cost (substantially on the basis of last-in, first-out) or market whichever is lower	47,610,000	48,369,000
Prepaid expenses and other current assets	3,356,000	5,473,000
Total current assets	69,514,000	74,387,000
Fixed assets, at cost:		
Land	10,712,000	8,426,000
Buildings owned	30,426,000	30,717,000
Store fixtures, leasehold improvements, machinery and equipment	100,263,000	95,696,000
Automotive equipment	8,102,000	8,369,000
	149,503,000	143,208,000
Less — Depreciation and amortization (Note 2)	85,975,000	86,419,000
	63,528,000	56,789,000
Prepaid federal income taxes	—	625,000
Other assets and deferred charges	3,300,000	1,677,000
	$136,342,000	$133,478,000

LIABILITIES

	March 27 1971	March 28 1970
		(Note 1)
Current liabilities:		
Accounts payable	$ 32,716,000	$ 34,799,000
Accrued expenses	14,083,000	13,789,000
Current portion of long-term debt	571,000	324,000
Dividend payable	340,000	352,000
Federal income taxes	350,000	—
Total current liabilities	48,060,000	49,264,000
Long-term liabilities:		
4.70% notes, due in equal semi-annual instalments to 1976	2,393,000	2,927,000
Mortgage notes payable, various interest rates, maturing at various dates to 1991	2,435,000	317,000
Deferred compensation and other	962,000	637,000
	5,790,000	3,881,000
Deferred federal income taxes	1,339,000	—
Stockholders' equity (Note 3):		
Common stock, without par value: Authorized — 2,000,000 shares Issued — 1,655,268 shares	31,919,000	31,926,000
Retained earnings	60,373,000	58,341,000
	92,292,000	90,267,000
Less — Treasury stock, at cost — 296,460 shares in 1971 and 247,664 shares in 1970	11,139,000	9,934,000
	81,153,000	80,333,000
Lease commitments (Note 4)		
	$136,342,000	$133,478,000

Consolidated Statement of Changes in Financial Position

	52 Weeks Ended March 27 1971	52 Weeks Ended March 28 1970 (Note 1)
Source of funds:		
Income before extraordinary credits	$ 3,390,000	$ 2,621,000
Expenses not requiring outlay of working capital in the current period:		
Depreciation and amortization	7,023,000	6,769,000
Deferred federal income taxes	1,920,000	860,000
Other	620,000	261,000
Working capital provided from operations for the period, exclusive of extraordinary items	12,953,000	10,511,000
Working capital provided from extraordinary credits	—	1,841,000
Total working capital provided from operations	12,953,000	12,352,000
Proceeds on exercise of stock options	26,000	111,000
Increase in long-term liabilities	2,218,000	693,000
Proceeds from disposal of fixed assets	2,241,000	2,834,000
	17,438,000	15,990,000
Use of funds:		
Additions to fixed assets	16,207,000	15,591,000
Acquisition of treasury stock	1,250,000	8,279,000
Cash dividends declared	1,358,000	1,506,000
Reduction of long-term debt	595,000	534,000
Increase in other assets	1,623,000	—
Other, net	74,000	75,000
	21,107,000	25,985,000
Decrease in working capital	3,669,000	9,995,000
Working capital at beginning of year	25,123,000	35,118,000
Working capital at end of year	$ 21,454,000	$ 25,123,000

Notes to Financial Statements

Note 1 — Principles of Consolidation

The accompanying consolidated financial statements include the accounts of First National Stores Inc. and its subsidiaries. All intercompany transactions have been eliminated. During fiscal 1971, the Company purchased essentially all of the net assets of an institutional meat supplier. The sales and net income of this company were not material in relation to the accompanying consolidated financial statements.

The prior year amounts have been reclassified to conform with the current year's presentation.

Note 2 — Depreciation and Amortization Policies

For financial statement purposes, depreciation and amortization are computed under the straight-line method for assets acquired subsequent to March 26, 1966 and primarily under the sum-of-the-years digits method for previous acquisitions. Estimated useful lives are as follows:

Buildings owned	20-50 years
Store fixtures, leasehold improvements, machinery and equipment	8-25 years
Automotive equipment	3-8 years

Note 3 — Common Stock and Retained Earnings

As of March 28, 1970 options to purchase 63,750 shares of the Company's common stock were held by certain officers and key employees of the Company.

During the year options for 2,000 shares were granted, options were exercised to purchase 850 shares at prices ranging from $30.50 to $31.75 per share and options for 6,500 shares terminated. The excess of the average cost of the treasury shares over the option price for options exercised has been charged to common stock. At March 27, 1971 options for 58,400 shares were outstanding at prices ranging from $27.125 to $64.25 per share, an aggregate of $2,158,000, of which options for 32,388 shares were then exercisable. The options become exercisable in equal annual instalments over a four-year period beginning one year after the date granted. No additional options may be granted under this plan. On May 11, 1971, the Board of Directors approved a new stock option plan, subject to ratification by stockholders. This plan covers 65,000 shares of the Company's common stock which may be issued to qualified employees at prices not less than the fair market value of the stock at the date of grant.

Under the Company's deferred compensation plan, 354 shares of treasury stock were issued during 1971. The excess of the average cost of these shares over the amount of compensation accrued has been charged to common stock. At March 27, 1971, 5,833 additional shares have been alloted to the participants and are issuable in future years.

The dilutive effect of shares issuable under option plans and alloted under the deferred compensation plan have been considered for purposes of computing earnings per share.

In accordance with the terms of the loan agreement covering the 4.70% notes, approximately $4,350,000 of retained earnings was available at March 27, 1971 for the payment of cash dividends and acquisition of the Company's common stock.

Note 4 — Lease Commitments

At March 27, 1971, the Company was committed under leases covering stores and other real estate. The minimum annual rentals under these leases amount to approximately $10,700,000 exclusive of real estate taxes and other expenses or additional rentals based on percentage of sales. Of the minimum annual rental commitment, approximately 62% related to leases expiring within 10 years and approximately 85% to leases expiring within 15 years.

Note 5 — Federal and State Income Taxes

The provision for federal and state income taxes comprises:

	March 27 1971	March 28 1970
Income taxes currently payable	$ 565,000	$ 220,000
Deferred income taxes	1,920,000	2,200,000
	$ 2,485,000	$ 2,420,000

The federal income tax provisions for the 1971 and 1970 fiscal years have been made on the basis of the taxes which would have been payable based on book income for those years reduced by investment tax credits of $225,000 and $300,000, respectively. The 1970 provision includes a $1,480,000 charge equivalent to net operating loss carryforwards realized for book purposes during that year. At March 27, 1971, essentially all loss carryforwards have been utilized for both book and tax purposes.

The net balance of deferred income taxes represents the tax effect of accumulated tax deductions claimed in excess of amounts charged against book income relating primarily to accelerated depreciation.

At March 27, 1971, the Company has unused investment tax credits amounting to approximately $800,000 available for carryforward to future years, of which $300,000 has been recognized for accounting purposes.

Note 6 — Pensions

The Company maintains a trusteed noncontributory pension plan for employees who are not covered by union pension plans. The Company's plan is fully funded and no contribution to the fund nor provision for pension expense for the year is required. Actuarial gains resulting principally from the transfer of employees to various union plans and unrealized appreciation in the fund are being amortized over 10 year periods from the date of occurrence. Since 1966 no charges have been made for pension costs, other than contributions to union pension plans, because of such amortization. As of the most recent valuation date, the fund assets exceeded the actuarially computed value of vested benefits.

Total pension cost charged to earnings representing contributions to union plans was $2,342,000 in 1971 and $1,990,000 in 1970.

Report of Independent Accountants

To the Board of Directors and Stockholders of First National Stores Inc.

In our opinion, the accompanying consolidated balance sheet, statement of income and retained earnings and statement of changes in financial position present fairly the financial position of First National Stores Inc. and its subsidiaries at March 27, 1971, the results of their operations and the changes in financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

225 Franklin Street
Boston, Massachusetts
May 12, 1971

PRICE WATERHOUSE & CO.

Five-Year Review (in thousands of dollars)

	Fiscal years ended in March				
	1971	*1970*	*1969*	*1968*	*1967*
Operations					
Sales	$850,475	$770,780	$692,125	$640,116	$641,896
Income (loss) before extraordinary credits	3,390	2,621	999	(6,644)	(976)
Extraordinary credits	—	1,841	240	—	280
Net income (loss)	3,390	4,462	1,239	(6,644)	(696)
Financial Position					
Current assets	69,514	74,387	75,046	66,611	72,557
Current liabilities	48,060	49,264	39,928	31,701	32,044
Net working capital	21,454	25,123	35,118	34,910	40,513
Ratio of current assets to current liabilities	1.45	1.51	1.88	2.10	2.26
Fixed assets, net	63,528	56,789	50,800	51,624	57,833
Total assets	136,342	133,478	128,934	123,068	132,017
Long-term debt	4,828	3,244	3,461	3,995	4,529
Stockholders' equity	81,153	80,333	85,545	84,707	92,246
Per Share of Common Stock					
Income (loss) before extraordinary credits	2.46	1.76	.62	(4.14)	(.60)
Extraordinary credits	—	1.24	.15	—	.17
Net income (loss)*	2.46	3.00	.77	(4.14)	(.43)
Cash dividends declared	1.00	1.00	.25	.50	1.50
Stockholders' equity	59.72	57.07	53.29	52.77	57.34
Other Data					
Capital expenditures, net	13,966	12,757	5,306	5,140	4,626
Depreciation and amortization	7,023	6,769	7,027	7,634	8,960
Shares of common stock outstanding (at year end)	1,358,808	1,407,604	1,605,204	1,605,204	1,608,604
Number of stores (at year end)	380	413	444	481	517

*Based on the weighted average of shares outstanding during the year.

Directors

FRANCIS H. BURR, *Partner, Ropes & Gray, Attorneys*
*HILLIARD J. COAN, *President*
MAURICE T. FREEMAN, *Investment Trustee*
*ALAN L. HABERMAN, *Executive Vice President*
JOHN E. LAWRENCE, *Proprietor, James Lawrence & Co.*
JOHN F. LEBOR, *Director of Several Corporations*
EDWARD A. MERKLE, *President, Madison Fund, Inc.*
*ADRIAN O'KEEFFE, *Chairman of the Board*
BERNARD M. O'KEEFFE, *Former Purchasing Executive*

*Member of Executive Committee

Officers

ADRIAN O'KEEFFE, *Chairman of the Board*
HILLIARD J. COAN, *President*
ALAN L. HABERMAN, *Executive Vice President*
AUSTIN F. LYNE, *Vice President*
KERRY R. LYNE, *Vice President, Clerk and General Counsel*
JOHN W. MACNEIL, *Vice President*
JOHN F. MARTIN, *Vice President*
RICHARD M. O'KEEFFE, *Vice President*
PETER C. QUINN, *Vice President*
WILLIAM A. FERRARA, *Treasurer*
RICHARD L. KENNEY, *Controller*

Transfer Agents

THE FIRST NATIONAL BANK OF BOSTON, *67 Milk Street, Boston, Massachusetts*
CHEMICAL BANK, *20 Pine Street, New York, New York*

Registrars

STATE STREET BANK AND TRUST CO., *225 Franklin Street, Boston, Massachusetts*
BANKERS TRUST CO., *280 Park Avenue, New York, New York*

Counsel

LYNE, WOODWORTH & EVARTS, *75 Federal Street, Boston, Massachusetts*
ROPES & GRAY, *225 Franklin Street, Boston, Massachusetts*

Independent Accountants

PRICE WATERHOUSE & CO., *225 Franklin Street, Boston, Massachusetts*

Executive Offices

5 Middlesex Avenue, Somerville, Massachusetts

Distribution Centers

Somerville, Massachusetts
East Hartford, Connecticut
South Kearney, New Jersey

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